



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 28, 2006

### **H.R. 6134** **Health Opportunity Patient Empowerment Act of 2006**

*As ordered reported by the House Committee on Ways and Means on September 27, 2006*

#### **SUMMARY**

H.R. 6134 would make various changes to rules regarding health savings accounts (HSAs). It would allow fully deductible contributions for the entire year in which a high-deductible insurance policy is purchased, repeal certain limitations on HSA contributions, and allow a one-time rollover of funds from certain other accounts into HSAs, among other changes.

The Joint Committee on Taxation (JCT) estimates that enacting H.R. 6134 would reduce federal revenues by \$23 million in 2007, by \$287 million over the 2007-2011 period, and by \$1.0 billion over the 2007-2016 period. These estimates include reductions in off-budget receipts from Social Security payroll taxes of \$3 million in 2007, \$30 million over the 2007-2011 period, and \$147 million over the 2007-2016 period. The Congressional Budget Office (CBO) estimates that enacting H.R. 6134 would not affect direct spending.

JCT has determined that the legislation contains no private-sector or intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA).

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 6134 is shown in the following table.

	By Fiscal Year, in Millions of Dollars									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>CHANGES IN REVENUES</b>										
Allowing Fully Deductible Contributions for Prior Months	-11	-29	-33	-36	-37	-37	-35	-33	-28	-22
Repealing a Limitation on HSA Contributions	-10	-17	-27	-30	-38	-50	-66	-115	-170	-190
Allowing a Rollover of Certain Funds Into an HSA	-2	-4	-4	-4	-5	-2	0	0	0	0
Estimated Revenues	-23	-50	-64	-70	-80	-89	-101	-148	-198	-212
On-Budget	-20	-46	-58	-63	-70	-78	-87	-125	-164	-177
Off-Budget <sup>a</sup>	-3	-4	-6	-7	-10	-11	-14	-23	-34	-35

SOURCE: The Joint Committee on Taxation.

NOTE: HSA = Health Savings Account.

a. A portion of the revenue loss from each of the three provisions affects off-budget receipts. However, the only significant off-budget effects are from the provision repealing a limitation on HSA contributions. The estimated off-budget effects of the other two provisions are negligible.

## BASIS OF ESTIMATE

H.R. 6134 would change rules regarding health savings accounts. JCT estimates that enacting H.R. 6134 would reduce federal revenues by \$23 million in 2007, by \$287 million over the 2007-2011 period, and by \$1.04 billion over the 2007-2016 period. These estimates include reductions in off-budget receipts from Social Security payroll taxes of \$3 million in 2007, \$30 million over the 2007-2011 period, and \$148 million over the 2007-2016 period.

Three provisions of the bill would have significant effects on revenues, JCT estimates. First, the bill would permit taxpayers starting an HSA partway through a year to contribute up to the full annual limit. The taxpayer must, however, maintain a high-deductible health plan for a full year or pay tax and penalty on the contribution. JCT estimates that this provision would reduce revenues by \$11 million in 2007, by \$147 million over the 2007-2011 period, and by \$302 million over the 2007-2016 period.

Second, H.R. 6134 would repeal the limitation on contributions to HSAs that corresponds to the annual deductible under the high-deductible insurance policy. Under current law, contributions are limited to the lesser of the annual deductible or a specified amount (currently \$2,700 for single coverage and \$5,450 for family coverage) that is indexed for inflation. JCT estimates that this provision would reduce revenues by \$10 million in 2007, by \$121 million over the 2007-2011 period, and by \$712 million over the 2007-2016 period. Of those revenue reductions, a portion would be off-budget—totaling \$148 million over the 2007-2016 period.

Finally, the bill would allow employees to start an HSA by making a one-time transfer of amounts in a health reimbursement account or flexible spending account as of September 21, 2006. Such a transfer would have to be completed by January 1, 2012. JCT estimates that the provision would reduce revenues by \$2 million in 2007, by \$19 million over the 2007-2011 period, and by \$21 million over the 2007-2016 period.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

JCT has determined that the legislation contains no private-sector or intergovernmental mandates as defined in UMRA.

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